

**MAINLAND HEADWEAR HOLDINGS LIMITED**

飛達帽業控股有限公司*

*(Incorporated in Bermuda with limited liability)***Mainland Headwear Announces 2020 Annual Results**

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**Sales of Manufacturing Business Record High in Q4 Last Year
Thanks to Strong Business Ties and Well-established Bangladesh Plant**

(29 March 2021, Hong Kong) **Mainland Headwear Holdings Limited** (“Mainland Headwear” or the “Group”) (HKEX: 1100), a renowned designer, producer and distributor of headwear and accessories, has today announced its annual results for the year ended 31 December 2020.

COVID-19 in the past 12 months wreaked havoc to all businesses across the world following its outbreak which inflicted a heavy blow to both the global supply chain and the consumer market, especially in the first half. Despite of the unprecedented events over the past year, the Group’s revenue from continuing operations contracted only slightly by 8.6% to HK\$1,048,006,000 (2019: HK\$1,146,834,000), after they were dragged down by the Manufacturing Business mainly in the second quarter despite the 7.9% gain of the Trading Business. In spite of the expected decline in gross profit from continuing operations by 7.9% to HK\$318,689,000 (2019: HK\$346,212,000) due mainly to weaker topline performance, the gross profit margin of continuing operations was maintained at 30.4% (2019: 30.2%), which can be attributed to the effective cost control measures that optimised the management and streamlined the structure of the Group, reinforced by improvement in production efficiency due to a higher level of automation at its Bangladesh plant. However, the significant top-line drop in the second quarter has caused profit from continuing operations during the year to fall by 18.9% to HK\$50,038,000 (2019: HK\$61,671,000). Profit attributable to shareholders fell by 21.2% to HK\$45,895,000 (2019: HK\$58,213,000).

Given the Group’s sound fundamentals, the Board has resolved to recommend a final dividend of 3 HK cents per share (2019: 3 HK cents). Together with the interim dividend of 2 HK cents per share (2019 Interim: 2 HK cents), total dividend for the year amounted to 5 HK cents (2019: 5 HK cents).

Mr Ngan Hei Keung, Chairman of Mainland Headwear, said, “I am pleased that the strong business ties with our customers and the well-established Bangladesh plant has enabled our Manufacturing Business to benefit from the quick rebound of orders since June, thus enabling the Group to achieve the best sales performance in the last quarter in recent years. As regards the Trading Business, the pandemic has expedited the shift towards online shopping by consumers. This trend has brought significant benefits to our Trading Business. In recent years, we have poured considerable resources into building a competitive product mix and promoting this business, and this has been rewarded by a remarkable rise in the volume of e-commerce sales over the past year.”

Manufacturing: orders in the last quarter reached the peak in recent years, thanks to strong ties with customers and improved efficiency

Because of the inevitable adverse impact of the pandemic, segment revenue from the Manufacturing Business dropped by 20.3% to HK\$592,620,000 (2019: HK\$743,161,000), while revenue from external customers declined by 20.4% to HK\$533,728,000 (2019: HK\$670,327,000), accounting for approximately 50.9% of the Group's total revenue for continuing operations. Correspondingly, operating profit of the Manufacturing Business decreased by 16.5% to HK\$87,625,000 (2019: HK\$104,951,000).

To overcome the difficult times, the Group worked closely together with customers on necessary adjustments to the delivery schedule. Such efforts paid off as there was gradual improvement of sales since June as the operation and orders of certain retailers picked up quickly. In particular, the Group has gained more orders from its long-term business partners, serving as testament to the strong business ties that the Group has established with its customers.

To equip itself to capture and cash in on opportunities ahead, the Group has consistently implemented a series of stringent precautionary and control measures throughout the pandemic to ensure the safety of its employees. This has enabled the Group's production to resume quickly once the shutdown in Bangladesh was lifted. The Group was actively ramping up efficiency by implementing a higher level of automation and optimising its management. With the remarkable improvement of efficiency under a streamlined structure and optimised management, the Group demonstrated that it was more than capable of handling the faster-than-expected rebound of orders since mid-2020 and the level in the last quarter even reached the peak in recent years.

Trading: successfully captured the online consumption trend, resulting in a surge in sales from the e-commerce business

Despite the lackluster US and UK retail markets getting weighed down by the pandemic, the Group's Trading Business still managed to achieve top-line growth of 7.9% to HK\$514,278,000 (2019: HK\$476,507,000), accounting for 49.1% of the Group's total revenue for the continuing operations. The surge was due mainly to (i) consolidation of the financial results of Aquarius Ltd. from 1 June 2019 subsequent to the Group's acquisition; and (ii) the accelerated growth of e-commerce business, a clear evidence of the success of its business strategy to invest in this area over the past few years, which enabled the Group to benefit from the rising online shopping trend during the pandemic. However, the lockdown measures taken by the US and UK governments, except the e-commerce business, have adversely affected the Group's trading subsidiaries in these countries. As a result, the operating loss of this segment amounted to HK\$21,984,000 (2019: HK\$21,986,000).

The Group has tracked closely the online consumption trend well before the pandemic's outbreak, which resulted in a surge in sales from the e-commerce business. Apart from building a competitive product mix and promoting this new business, the Group also expanded its portfolio of licensed brands by leveraging the consolidation in the industry during this challenging year.

Prospects: Confident that its business will return to the right track

As 2021 ushered in, the Group is convinced that the world is likely to gain the upper hand over the pandemic with the rollout of vaccines. This optimism is shared by the Group's customers as they have gradually adapted to the new normal and with the resumption of the season of all major sports events. The Group is confident that its business will return to the right track.

The Group is ready to seize opportunities that lie ahead as it leverages its strengthened production presence in Bangladesh with remarkably enhanced efficiency, optimised management and a well-established traceability system, which again puts it a step ahead of its peers. Its competitive edge is further bolstered by the market's concerns over various geopolitical tensions, particularly as customers shift their production away from chaos-afflicted Myanmar. As regards expanding production into small leather goods, bags and accessories, approval of the local government was slightly behind schedule due to the pandemic. The Group will steadfastly communicate with authorities to speed up the progress. With all these advantages and plans in place, the Group is fully confident that this factory will bring greater contributions amid the likely increase of orders when the pandemic recedes, and as it subsequently raises its profitability to an optimal level.

One phenomenon that will certainly outlast the pandemic is the online shopping habit. The Group will strengthen its e-commerce presence to cash in on the momentum. Another opportunity amid the pandemic that the Group has observed is the industry consolidation trend. The Group will expand its licensed brand portfolio under the Trading umbrella to bolster its leading edge.

As for the space saved at the Group's Shenzhen factory after the transfer of most of its production to its Bangladesh plant, the management will strive to maximise its value for shareholders since it is situated in a prime location with close proximity to the train station. The Group will tap opportunities emerging from the government policy of fostering the development of the ecological chain of the innovation and technology industry in Hong Kong and Shenzhen.

Madam Ngan Po Ling, Pauline, BBS, JP, Deputy Chairman and Managing Director of Mainland Headwear, said, "With our strengthened presence in Bangladesh, solid relationships built with our customers and a wide spectrum of products, we are excited about opportunities that loom in the horizon and we look forward to a brighter year ahead. We will continue bolstering the two business operations, while enhancing efficiency across all areas of operation, which will elevate Mainland Headwear to new heights, and create long-term value for our customers and shareholders."

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About Mainland Headwear Holdings Limited (HKEX: 1100)

Mainland Headwear Holdings Limited was established in 1986 and listed on the Main Board of The Stock Exchange of Hong Kong in 2000. The Group is principally engaged in the design, manufacture and distribution of quality headwear and accessories. Headquartered in Hong Kong, with factories in Shenzhen, PRC and Bangladesh, the Group manufactures an exclusive wide range of licensed casual headwear products and accessories. The Group has established a long-term business partnership with New Era Cap Co., Inc. by entering into a manufacturing agreement. Company Website: www.mainland.com.hk

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